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**FISCAL IMPACT STATEMENT**

**LS 6989**

**BILL NUMBER:** HB 1156

**NOTE PREPARED:** Dec 26, 2006

**BILL AMENDED:**

**SUBJECT:** Transfer of Money Between Funds.

**FIRST AUTHOR:** Rep. Harris T

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**      **GENERAL**  
                                 **DEDICATED**  
                                 **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill allows money to be transferred between the funds maintained by a school corporation. It repeals various provisions authorizing transfers of money from certain funds only to specific funds or under specific circumstances.

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** The bill allows schools to transfer money between funds. The bill provides that a transfer can not:

1. adversely affect the repayment of any outstanding obligations;
2. breach any agreement with the holders of any outstanding obligation concerning the use of money in a fund or the amount of reserves that must be maintained by the school corporation;
3. use money received from a private donor or the federal government that was received on condition that it be used for a specific purpose or for any purpose other than the purpose for which it was given;
4. result in the failure to provide specific services that the school corporation agreed to provide as a condition of receiving money from any source;
5. result in an increase in any tax imposed by the school corporation to meet the obligation payable

- from the fund from which the money is transferred; or
6. pay for or restore a balance in a fund or otherwise replace money used for personal services or loans or other indebtedness incurred to pay personal services; or
7. be made from a self-insurance fund without approval of the Commissioner of Insurance.

The bill would increase a school's flexibility in the use of money between funds. P.L. 224-2003 allowed schools to transfer money between funds for the 2004 and 2005 calendar years. However, with the expiration of this provision, beginning in CY 2006, only the school General Fund can be used for any purpose except school transportation; the other funds can only be used for the purpose set forward in statute. This bill will continue the school's ability to transfer money between funds under the specifications outlined above.

Schools have about six funds that levy property taxes, but several hundred funds that do not levy property taxes. The December 31, 2005, fund balances ranged from about \$690 M in school General Funds, \$478.7 M in school Capital Projects Funds, \$125.1 M in school Transportation Operating Funds, \$46.8 M in School Bus Replacement Funds, \$350.8 M in Debt Service Funds, and \$21.5 M in Special Education Preschool Funds.

The school General Fund budget for CY 2006 was about \$6.2 B.

**State Agencies Affected:**

**Local Agencies Affected:** Local schools.

**Information Sources:** Department of Education databases.

**Fiscal Analyst:** Chuck Mayfield, 317-232-4825.